



Grand Canyon State Electric
Cooperative Association, Inc.

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November 18, 2014

Docket Control
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

Re: *Cooperatives' Comments on the Staff Proposed Rules Regarding Energy
Efficiency/Demand Side Management;
Docket No. E-00000XX-13-0214*

Dear Sir/Madam:

The Grand Canyon State Electric Cooperative Association ("GCSECA"), on behalf of
its Arizona cooperative members,¹ submits the attached comments on the Staff Proposed
Energy Efficiency/Demand Side Management Rules filed on November 4, 2014.

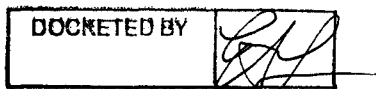
RESPECTFULLY SUBMITTED this 18th day of November, 2014.

GRAND CANYON STATE ELECTRIC
COOPERATIVE ASSOCIATION

Arizona Corporation Commission

DOCKETED

NOV 18 2014



By

John Wallace
CEO

¹ The Arizona cooperative members are: Duncan Valley Electric Cooperative, Inc.; Graham County Electric Cooperative, Inc.; Graham County Utilities; Mohave Electric Cooperative, Inc.; Navopache Electric Cooperative, Inc.; Sulphur Springs Electric Cooperative, Inc.; and Trico Electric Cooperative, Inc. (collectively the "Electric Cooperatives").

ELECTRIC AND GAS COOPERATIVE COMMENTS
ON ENERGY EFFICIENCY FOR GAS AND ELECTRIC UTILITIES
(DOCKET NO. E-00000XX-13-0214)

November 18, 2014

The following comments on the Arizona Corporation Commission Staff's Proposed Electric Energy Efficiency Rules ("EE Rules or Rules") dated November 4, 2014 are being submitted by Duncan Valley Electric Cooperative, Inc. ("Duncan"), Graham County Electric Cooperative, Inc. and Graham County Utilities ("Graham"), Mohave Electric Cooperative, Inc. ("Mohave"), Navopache Electric Cooperative, Inc. ("Navopache"), Trico Electric Cooperative, Inc. ("Trico") and Sulphur Springs Valley Electric Cooperative, Inc. ("Sulphur") (collectively, the "Cooperatives").¹ The Cooperatives urge the Commission to approve the Staff's Proposed Rules.

INTRODUCTION

The Cooperatives have only one goal and that is to provide the highest quality service to their members at the least cost, because the members of the cooperative are its owners, customers and board of directors. While the Cooperatives seek the most reliable, least cost alternative for their members, they cannot make Energy Efficiency ("EE") decisions for their members due to the voluntary nature of such programs.

The EE Standard requirements in the existing EE Rules are not realistic, measurable or achievable. While the Cooperatives have committed to increasing the amount and scope of their EE programs, they believe it is not possible, as the Rules currently require, to reduce their retail electric energy sales, measured in kWh, to a point 18.75% below their retail electric energy sales

¹ The Cooperatives reserve the right, individually and collectively, to provide additional or different comments and positions on any of these issues in the future. The Cooperatives, individually and collectively, also reserve the right to modify the opinions expressed below as new information and input becomes available.

ELECTRIC AND GAS COOPERATIVE COMMENTS
ON ENERGY EFFICIENCY FOR GAS AND ELECTRIC UTILITIES
(DOCKET NO. E-00000XX-13-0214)

November 18, 2014

for the year 2010 or to reach the annual percentages set forth in this section, especially in the later years. As is the case with the REST Rules, one set of EE goals is not appropriate for all utilities. Each cooperative is only able to meet a fraction of the required 2.0 percent annual savings in kWh stated in the EE Rules using voluntary EE and Demand Side Management ("DSM") programs. In fact, for cooperatives and their members, the cost of achieving the current unrealistic annual and cumulative EE requirements far exceeds any benefits that will be realized. For these reasons, the Cooperatives support the revisions proposed by ACC Staff.

In addition, DSM/EE programs for customers are completely voluntary and cannot be mandated, except through the use of interruption and load curtailment techniques. EE programs are also offered by other parties who are not utilities which provide "competition" for a customer's available funds. Cooperatives are reliant on their members to adopt EE measures and should not face being penalized for not meeting the existing EE goals established without consideration of the specific circumstances of the individual cooperative and its members. Customers have limits on the amount they can afford or, for that matter, want to conserve.

Further, numerous factors drastically affect a cooperative's annual sales in kWh, which makes a goal based as a percentage of sales unpredictable. For example, the results of a cooperative's EE programs and measures may be neutralized or exceeded by annual fluctuations in weather, the addition of a large load such as a Wal-Mart, Sam's Club, Home Depot or even a small 6% growth in its base customer load if annual kWh sales reduction is used as the sole criteria. This can result even if a cooperative works with large new customers to incorporate the most cost effective EE measures. Likewise, for the irrigation rate class, a dry year or individual customer

ELECTRIC AND GAS COOPERATIVE COMMENTS
ON ENERGY EFFICIENCY FOR GAS AND ELECTRIC UTILITIES
(DOCKET NO. E-00000XX-13-0214)

November 18, 2014

decisions to switch from natural gas to electric may have the same effect of increasing a cooperative's kWh sales from one year to the next and, thereby, canceling any EE effort, regardless of a cooperative's efforts to implement EE program and measures.

Concerning the annual and cumulative requirements in the existing EE Rules, the Electric Cooperatives subject to the EE Rules filed their EE Implementation Plans in June of 2011. Each of these plans requested a waiver from meeting the EE annual and cumulative requirements, because these requirements were not realistic for cooperatives. Also, many Cooperative service territories are mostly residential customers, thereby making large kWh sales reductions much more costly on a per-kWh basis. Cooperatives need their customers to adopt EE measures in order to decrease usage on a home-by-home basis—many rural households simply can't afford it, even with rebate support.

To further exacerbate this issue, the initial EE Implementation Plans were not approved by the Commission until several years after 2011. That delay made it impossible for the Electric Cooperatives to meet the annual and, ultimately, the cumulative EE standards.

Another area of concern is fixed-cost recovery for EE programs. While there may be some dispute over its magnitude, all parties agreed that utilities will experience revenue erosion and not recover their fixed costs as a result of adopting EE measures. To expect the utilities to agree to aggressive EE goals and time frames without first addressing one of the largest concerns of the utilities was and remains inequitable. As a result of the Commission not addressing the fixed-cost recovery issues, the total costs of meeting the EE Standard have not been quantified. Sulphur

ELECTRIC AND GAS COOPERATIVE COMMENTS
ON ENERGY EFFICIENCY FOR GAS AND ELECTRIC UTILITIES
(DOCKET NO. E-00000XX-13-0214)

November 18, 2014

Springs Valley Electric Cooperative, Inc. has estimated that it would cost its members approximately \$200 million over the life of the EE Standard.

In conclusion, all these factors make it difficult for the Cooperatives to meet the existing, mandated annual amount of savings in kWh from EE programs. The Staff Proposed EE Rules will result in an approach similar to the Renewable Energy Standard and Tariff ("REST") Rules that have been effective for the Cooperatives by recognizing their differences and helping accomplish their approved REST goals. Under the Staff Proposed Rules, each cooperative could voluntarily file and have a Commission-approved EE plan, a mechanism to timely recover related EE program costs and margins associated with EE kWh savings.

Under Staff's proposal, the Commission approved EE plan for an individual distribution cooperative would identify appropriate energy efficiency goals; provide estimated annual kWh savings from each program; establish a budget to meet these goals; and set an EE adjustor amount to recover all related EE program costs and margins (fixed costs) associated with EE kWh savings, without imposing arbitrary universal requirements across the board.

For all the reasons stated above, the Cooperatives urge the Commission to adopt the Staff Proposed Rules.